

## WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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SECORD TOWNSHIP

GLADWIN COUNTY, MICHIGAN

FINANCIAL STATEMENTS JUNE 30, 2006

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OFFICES: BAY CITY, CLARE GLADWIN AND WEST BRANCH

**RSM**: McGladrey Network

An Independently Owned Member

Michigan Department of Treasury 496 (02/06) Auditing Procedures Report

ssuec	l unde	r P.A.		amended ar	port id P.A. 71 of 1919	), as amended	l				
			ernment Typ		_		Local Unit Na			County	
	Count	<u> </u>	City	<b>≭</b> Twp	□Village	Other	SECOND	SECORD TOWNSHIP GLADWII  Date Audit Report Submitted to State			
	al Yeal 30-06				Opinion Date 7-17-06				. <u>3</u> . (	06	
					/ 1/ 00			7 13			
	affirm			anni intente	licannad to r	ractico in N	<i>l</i> ichigan				
	We are certified public accountants licensed to practice in Michigan.  We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the										
					ments and red			osed iii tile iiilaliciai stateiii	ents, more	raing the notes, or in the	
	Check each applicable box below. (See instructions for further detail.)										
1.	×				nent units/fundes to the finan				incial state	ements and/or disclosed in the	
2.	×							unit's unreserved fund bala budget for expenditures.	inces/unre	estricted net assets	
3.	X		The local	unit is in o	compliance w	ith the Unif	orm Chart of	Accounts issued by the De	partment o	of Treasury.	
4.	×		The local	unit has a	adopted a bud	get for all r	equired funds	<b>S</b> .			
5.	×		A public h	nearing on	the budget w	as held in a	accordance v	vith State statute.			
6.	×				not violated the			, an order issued under the Division.	Emergen	cy Municipal Loan Act, or	
7.	X		The local	unit has r	not been delin	quent in dis	stributing tax	revenues that were collecte	ed for ano	ther taxing unit.	
8.	X		The local	unit only	holds deposits	s/investmer	nts that comp	ly with statutory requireme	nts.		
9.	×							s that came to our attention sed (see Appendix H of Bu		d in the <i>Bulletin for</i>	
10.	X		that have	not been	previously co	mmunicate	d to the Loca			during the course of our audit If there is such activity that ha	
11.	X		The local	unit is fre	e of repeated	comments	from previou	s years.			
12.	X		The audit	opinion is	UNQUALIFI	ED.					
13.	×				complied with		or GASB 34 a	s modified by MCGAA Star	tement #7	and other generally	
14.	×		The boar	d or cound	cil approves a	II invoices p	orior to payme	ent as required by charter of	or statute.		
15.	X		To our kn	owledge,	bank reconcil	iations that	were review	ed were performed timely.			
incl des	uded cripti	in t on(s	his or any ) of the aut	other aud hority and	dit report, nor /or commissio	do they on.	obtain a stan	s operating within the bound- d-alone audit, please encl in all respects.	daries of ose the r	the audited entity and is not ame(s), address(es), and a	
We	have	e en	closed the	following	g:	Enclosed	Not Requir	red (enter a brief justification)			
Fin	ancia	al Sta	itements			$\boxtimes$					
The letter of Comments and Recommendations					ommendation	s 🗆	NO SIGN	IFICANT ISSUES NOTED			
Other (Describe)											
Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH						•	•	Telephone Number 989-386-3481			
	et Add							City	State	Zip	
			H STREE	T				CLARE	MI	48617	
Auth	ighizhoù H	g CPA ∕∕≀	Signature	11/	1		rinted Name License Number				
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## WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

Independent Auditors' Report

July 14, 2006

To the Township Board Secord Township Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Secord Township as of and for the year ended June 30, 2006, which collectively comprise the Secord Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Secord Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Secord Township as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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## WEINLANDER FITZHUGH

To the Township Board Secord Township July 14, 2006

In accordance with Government Auditing Standards, we have also issued a report dated July 14, 2006 on our consideration of Secord Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

#### **Required Supplemental Information**

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Weinlander Fitzhugh

#### Management's Discussion and Analysis For the Year Ended June 30, 2006

Our discussion and analysis of the Secord Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2006.

#### Financial Highlights

The Township's net assets increased by approximately \$184,000 or 14%. Program revenues were \$353,077 or 41% of total revenues, and general revenues were \$498,038 or 59%.

#### Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Secord Township financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. Individual fund information for non-major funds is found in statements in a later section of this report. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

**Basic Financial Statements** 

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Management's Discussion and Analysis For the Year Ended June 30, 2006

#### Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of Township.

#### Reporting the Township's Most Significant Funds

#### Fund Financial Statements

The Township's fund financial statements provide detail information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

#### Governmental Funds

Most of the Township's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

### Management's Discussion and Analysis For the Year Ended June 30, 2006

#### Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

#### Township-wide Financial Analysis

The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of June 30, 2006 and 2005:

	Governmental Activities				
Exhibit A	2006	2005			
Assets					
Current and other assets	\$ 1,194,781	\$ 1,019,780			
Capital assets - net of accumulated					
depreciation	564,066	603,695			
Total assets	1,758,847	1,623,475			
Liabilities					
Current liabilities	45,856	69,661			
Long-term liabilities	213,304	238,651			
Total liabilities	259,160	308,312			
Net Assets					
Invested in property and equipment -					
net of related debt	323,206	292,861			
Restricted	876,755	748,967			
Unrestricted	299,726	273,335			
Total net assets	\$ 1,499,687	\$ 1,315,163			

### Management's Discussion and Analysis For the Year Ended June 30, 2006

This analysis focuses on net assets. The Township's net assets were \$1,499,687 at June 30, 2006. Capital assets, net of related debt totaling \$323,206 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. The debt will be repaid from property taxes collected for operations of the General and Fire Fund.

The \$299,726 in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities. Exhibit B provides a summary of the Township's operations for 2006 and 2005.

# Management's Discussion and Analysis For the Year Ended June 30, 2006

	Governmental Activities					
Exhibit B	2006			2005		
Revenue						
Program revenue:						
Charges for services	\$	306,350	\$	333,725		
Grants and contributions		46,727		266,000		
General revenue:						
Property taxes		375,618		389,074		
State shared revenues		81,907		75,481		
Other		40,513		32,639		
Total revenue		851,115		1,096,919		
Function/Program Expenses						
General government		138,783		140,294		
Public safety		73,708		55,829		
Public works		271,549		259,467		
Highways and streets		165,309		177,474		
Planning, zoning and inspector		6,074		7,636		
Interest on long-term debt		11,168		1,389		
Total expenses		666,591		642,089		
Increase in Net Assets	\$_	184,524	\$	454,830		

#### Management's Discussion and Analysis For the Year Ended June 30, 2006

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$666,591. Certain activities were partially funded from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with grants and categoricals. We paid for the remaining "public benefit" portion of our governmental activities with \$375,618 in taxes, \$81,907 in State shared revenues, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$184,524. Key reasons for the change in net assets were an increase in the property tax base, the receipt of a federal grant for Township improvements, the donation of voting machines and a decrease in expenditures from budgeted weed control, rubbish removal, road construction and road maintenance costs. The increase will be used for future weed control, Township improvements and road projects. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

#### The Township's Funds

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$1,176,481, which is above last year's total of \$1,019,454. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2006 and 2005.

	Fund Balance	Fund Balance	Increase		
	June 30, 2006	June 30, 2005	(Decrease)		
General	\$ 1,078,187	\$ 937,580	\$ 140,607		
Special Revenue	98,294	81,874	16,420		
Total	\$ 1,176,481	\$ 1,019,454	\$ 157,027		

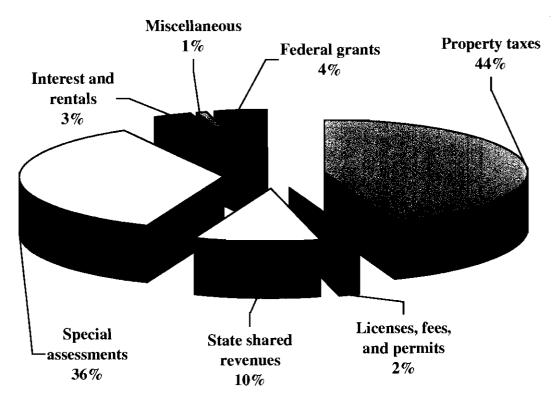
• Our General Fund increased \$140,607. The increase is mainly due to an increase in the taxable value of property, receipt of a federal grant for Township improvements, a decrease in expenditures from budgeted weed control, rubbish removal, road construction and road maintenance costs.

Management's Discussion and Analysis For the Year Ended June 30, 2006

• Our Special Revenue Fund increased \$16,420. The increase is due to an increase in tax revenue and a reduction in capital improvement spending.

As the graph below illustrates, the largest portion of the Township's revenue comes from property taxes.

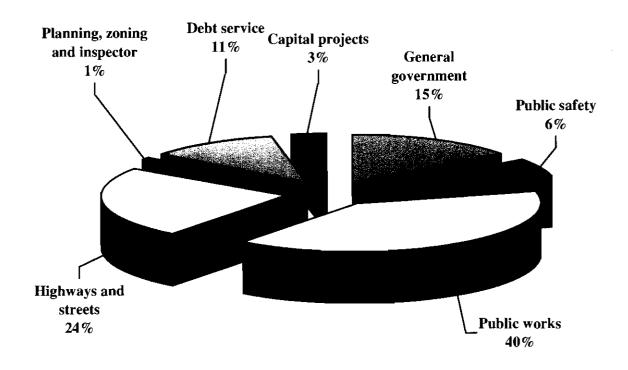
## **Sources of Revenues**



Management's Discussion and Analysis For the Year Ended June 30, 2006

The graph below illustrates, 24% of the Townships' resources are spent on highways and streets. Another 40% is spent on public works on services such as weed control and rubbish removal, while 15% is spent for general government expenses such as administrative costs and hall and ground, including utilities. The remaining 21% is spent on other services provided to the residents of the Township as listed below.

## **Expenditures**



#### Management's Discussion and Analysis For the Year Ended June 30, 2006

The chart below compares current year expenditures with prior year (excluding transfers).

	2006	2005
Expenditures by Function		
General government	\$ 95,931	\$ 96,247
Public safety	41,967	52,375
Public works	271,549	259,467
Highways and streets	165,309	177,474
Planning, zoning and inspector	6,074	7,636
Capital projects	28,150	329,272
Debt service	78,608	33,380
Total	\$ 687,588	\$ 955,851

Expenditures decreased by \$268,263 or 28% from the prior year mostly due to the construction of a new Township hall during 2005.

#### General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. There were immaterial changes to the General Fund original budget. The differences between the budget and the final actual amounts are as follows:

- Actual revenues exceeded budgeted revenue by \$69,147. The difference is due to
  more property tax revenue being collected in the current year than expected. The
  Township also received a grant for additional Township improvements during the
  year.
- Actual expenditures were less than budgeted expenditures by \$100,831. The difference is due to rubbish, weed control and street project costs being less than expected.

Management's Discussion and Analysis For the Year Ended June 30, 2006

#### **Capital Assets**

At June 30, 2006, the Township had \$761,893 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of \$4,790 from last year.

	2006	2005
Land	\$ 10,850	\$ 10,850
Buildings and improvements	412,448	427,238
Machinery and equipment	338,595	328,595
Total capital assets	761,893	766,683
Less accumulated depreciation	197,827	162,988
Net capital assets	\$ 564,066	\$ 603,695

This year's additions of \$11,000 included a server for a computer network and a donated handicap accessible voting machine. No debt was issued for these additions.

We do not anticipate any major capital additions in the upcoming year. We present more detailed information about our capital assets in the notes to the financial statements.

#### Debt

At the end of this year, the Township had \$238,651 in long-term debt outstanding versus \$306,091 in the previous year – a change of 22%. The long-term debt consisted of the following:

	2006		 2005
Capital leases Installment notes Mortgages	\$	24,922 11,729 202,000	\$ 36,416 19,675 250,000
	\$	238,651	\$ 306,091

The Township's outstanding general obligation debt of \$238,651 is significantly below the statutorily imposed limit.

Management's Discussion and Analysis For the Year Ended June 30, 2006

### Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

The taxable amount of the property within the Township continues to increase in value. The Township assessor estimates that the value will increase over 10% over the next few years.

#### **Requests For Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in Second Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Secord Township 1507 Secord Dam Road Gladwin, MI 48624

# SECORD TOWNSHIP Statement of Net Assets June 30, 2006

	Governmenta Activities		
<u>Assets</u>			
Cash and cash equivalents	\$ 1,194,781		
Capital assets - net of accumulated depreciation of \$197,827	564,066		
Total Assets	1,758,847		
<u>Liabilities</u>			
Accounts payable	2,500		
Accrued interest payable	2,209		
Deferred revenue	15,800		
Noncurrent liabilities:			
Due within one year	25,347		
Due in more than one year	213,304		
Total Liabilities	259,160		
Net Assets			
Invested in capital assets - net of related debt	323,206		
Restricted for:			
Streets and highways	370,286		
Rubbish removal	222,857		
Lake improvements	283,612		
Unrestricted	299,726		
Total Net Assets	\$ 1,499,687		

# SECORD TOWNSHIP Statement of Activities For the Year Ended June 30, 2006

									Governmental	
	Program Revenues								ctivities (Expense)	
				Operating Capital		Revenue and				
		Charges for Grants and		_		nts and	Changes in			
Functions/Programs	Expenses	Services		Contributions		Contributions		Net Assets		
Primary Government -								·		
Governmental activities:										
General government	\$ 138,783	\$	0	\$	35,250	\$	6,500	\$	(97,033)	
Public safety	73,708		0		1,045		0		(72,663)	
Public works	271,549	302	2,950		0		0		31,401	
Highways and streets	165,309		0		3,932		0		(161,377)	
Planning, zoning and inspector	6,074	3,400		0		0		(2,67	(2,674)	
Interest on long-term debt	11,168		0		0		0		(11,168)	
Total governmental activities	\$ 666,591	\$ 306	5,350	\$	40,227	\$	6,500		(313,514)	
	General reve	nues:								
	Property ta	xes, levi	ed for	gener	al purpose	s			78,725	
	Property ta	xes, levi	ed for	publi	c safety				71,148	
	Property ta	xes, levi	ed for	highv	vays and st	treets			225,745	
	State share	d revenu	ies						81,907	
	Investment	earning	S						25,340	
	Franchise f	fees							10,865	
	Miscellane	ous							4,308	
Total general revenues						498,038				
Change in net assets							184,524			
	Net assets - beginning of year								1,315,163	
	Net assets - 6	end of ye	ear					\$	1,499,687	

## Governmental Funds Balance Sheet June 30, 2006

	General	Other Nonmajor Governmental General Fund			
	Fund	(Fire Fund)	Total		
<u>Assets</u>					
Cash and cash equivalents	\$ 1,078,187	\$ 116,594	\$ 1,194,781		
Total Assets	\$ 1,078,187	\$ 116,594	\$ 1,194,781		
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 0	\$ 2,500	\$ 2,500		
Deferred revenue	0	15,800	15,800		
Total liabilities	0	18,300	18,300		
Fund Balances					
Reserved for streets and highways	370,286	0	370,286		
Reserved for rubbish removal	222,857	0	222,857		
Reserved for lake improvements	283,612	0	283,612		
Unreserved	201,432	98,294	299,726		
Total fund balances	1,078,187	98,294	1,176,481		
Total Liabilities and Fund Balances	\$ 1,078,187	\$ 116,594	\$ 1,194,781		

# Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets <u>June 30, 2006</u>

Total fund balances - governmental funds	\$ 1,176,481
Amounts reported for governmental activities in the	
statement of net assets are different because:	
Capital assets used in governmental activities are not financial	
resources and are not reported in the funds	
Cost of the capital assets	761,893
Accumulated depreciation	(197,827)
Long-term liabilities are not due and payable in the current	
period and are not reported in the funds:	
Capital leases and installment notes	(36,651)
Mortgages	(202,000)
Accrued interest payable is not included as a liability in	
governmental activities	 (2,209)
Total net assets - governmental activities	\$ 1,499,687

## Governmental Funds

# Statement of Revenues, Expenditures and Changes in Fund Balances

## For the Year Ended June 30, 2006

Revenues         Sometham (Fund)         Nonmajor (Sovernmental Fund)         Total Fund           Revenues         Fund         Total           Property taxes         \$304,470         \$71,148         \$375,618           Special assessments         302,950         0         302,950           Licenses, fees and permits         14,330         0         14,330           State shared revenues         82,952         0         82,952           Federal revenue         35,250         0         35,250           Interest and rentals         24,901         888         25,790           Miscellaneous         7,502         223         7,725           Total revenues         772,355         72,260         844,615           Expenditures           Current:           General government         95,931         0         95,931           Public safety         1,018         40,949         41,967           Public works         271,549         0         271,549           Public works         271,549         0         28,150           Planning, zoning and inspector         6,074         0         28,150           Capital projects         28,150 <td< th=""><th></th><th></th><th>Other</th><th></th></td<>			Other	
Revenues         Fund         Fund (Fire Fund)         Total           Property taxes         \$304,470         \$71,148         \$375,618           Special assessments         302,950         0         302,950           Licenses, fees and permits         14,330         0         14,330           State shared revenues         82,952         0         82,952           Federal revenue         35,250         0         35,250           Interest and rentals         24,901         889         25,790           Miscellaneous         7,502         223         7,225           Total revenues         772,355         72,260         844,615           Expenditures         2         2         844,615           Expenditures         2         7,502         233         7,725           Total revenues         772,355         72,260         844,615           Expenditures         1         0         95,931         0         95,931           Current:         1         1,018         40,949         41,967         94,967         941,967         941,967         941,967         941,967         941,967         941,967         941,967         941,967         941,967         941,967			Nonmajor	
Revenues         Fund         (Fire Fund)         Total           Property taxes         \$304,470         \$71,148         \$375,618           Special assessments         302,950         0         302,950           Licenses, fees and permits         14,330         0         14,330           State shared revenues         82,952         0         82,952           Federal revenue         35,250         0         35,250           Interest and rentals         24,901         889         25,790           Miscellancous         77,502         223         7,725           Total revenues         772,355         72,260         844,615           Expenditures         8         8         84,915         84,615           Expenditures         9         5,931         0         95,931           Public safety         1,018         40,949         41,967           Public works         271,549         0         271,549			Governmental	
Revenues         Property taxes         \$ 304,470         \$ 71,148         \$ 375,618           Special assessments         302,950         0         302,950           Licenses, fees and permits         14,330         0         14,330           State shared revenues         82,952         0         82,952           Federal revenue         35,250         0         35,250           Interest and rentals         24,901         889         25,790           Miscellaneous         7,502         223         7,725           Total revenues         772,355         72,260         844,615           Expenditures         8         8         8         8         8         8         8         8         8         8         8         8         8         4         6         8         8         4         6         8         4         6         6         7         9         8         4         6         6         9         9         3         7,25         7         2         2         3         7,725         7         2         2         3         7,725         7         2         2         3         7,725         7         2         2 <th></th> <th>General</th> <th>Fund</th> <th></th>		General	Fund	
Property taxes         \$ 304,470         \$ 71,148         \$ 375,618           Special assessments         302,950         0         302,950           Licenses, fees and permits         14,330         0         14,330           State shared revenues         82,952         0         82,952           Federal revenue         35,250         0         35,250           Interest and rentals         24,901         889         25,790           Miscellaneous         7,502         223         7,725           Total revenues         772,355         72,260         844,615           Expenditures         Current:         Current:         Current:         Current:         95,931         0         95,931           Public safety         1,018         40,949         41,967         41,967         Public works         271,549         0         271,549         Public safety         165,309         0         165,309         Public safety         166,309         Public safety         166,074         0         6,074         0         6,074         0         6,074         0         28,150         0         28,150         0         28,150         0         28,150         0         28,150         0         28,08 <th></th> <th>Fund</th> <th>(Fire Fund)</th> <th>Total</th>		Fund	(Fire Fund)	Total
Special assessments         302,950         0         302,950           Licenses, fees and permits         14,330         0         14,330           State shared revenues         82,952         0         82,952           Federal revenue         35,250         0         35,250           Interest and rentals         24,901         889         25,790           Miscellaneous         7,502         223         7,725           Total revenues         772,355         72,260         844,615           Expenditures         Total revenues         844,615           Expenditures         Total revenues         95,931         0         95,931           Public safety         1,018         40,949         41,967         41,967         Public safety         1,018         40,949         41,967         41,967         41,967         41,967         40         271,549         0         271,549         165,309         0         165,309         0         165,309         0         165,309         0         165,309         0         165,309         0         28,150         0         28,150         0         28,150         0         28,150         0         28,150         0         28,150         0	Revenues			
Licenses, fees and permits         14,330         0         14,330           State shared revenues         82,952         0         82,952           Federal revenue         35,250         0         35,250           Interest and rentals         24,901         889         25,790           Miscellaneous         7,502         223         7,725           Total revenues         772,355         72,260         844,615           Expenditures         84,615         84,615           Current:         85,931         0         95,931           Public safety         1,018         40,949         41,967           Public works         271,549         0         271,549           Highways and steets         165,309         0         165,309           Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         (7,100)	Property taxes	•	\$ 71,148	•
State shared revenue         82,952         0         82,952           Federal revenue         35,250         0         35,250           Interest and rentals         24,901         889         25,790           Miscellaneous         7,502         223         7,725           Total revenues         772,355         72,260         844,615           Expenditures         Current:           General government         95,931         0         95,931           Public safety         1,018         40,949         41,967           Public works         271,549         0         271,549           Highways and steets         165,309         0         165,309           Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in from other funds         0 </td <td>Special assessments</td> <td>302,950</td> <td>0</td> <td>r</td>	Special assessments	302,950	0	r
Federal revenue         35,250         0         35,250           Interest and rentals         24,901         889         25,790           Miscellaneous         7,502         223         7,725           Total revenues         772,355         72,260         844,615           Expenditures           Current:           General government         95,931         0         95,931           Public safety         1,018         40,949         41,967           Public works         271,549         0         271,549           Highways and steets         165,309         0         165,309           Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in from other funds         0         7,100         0         (7,100)	Licenses, fees and permits		0	•
Interest and rentals         24,901         889         25,790           Miscellaneous         7,502         223         7,725           Total revenues         772,355         72,260         844,615           Expenditures         Current:           General government         95,931         0         95,931           Public safety         1,018         40,949         41,967           Public works         271,549         0         271,549           Highways and steets         165,309         0         165,309           Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in from other funds         0         7,100         7,100           Operating transfers out to other funds         (7,100)         7,100         0           Total other financin	State shared revenues	82,952	0	-
Miscellaneous         7,502         223         7,725           Total revenues         772,355         72,260         844,615           Expenditures           Current:         Current:           General government         95,931         0         95,931           Public safety         1,018         40,949         41,967           Public works         271,549         0         271,549           Highways and steets         165,309         0         165,309           Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in firom other funds         (7,100)         7,100         0           Total other financing sources (uses)         (7,100)         7,100         0           Total other financing sources (uses)         (7,100)         7,100 <td>Federal revenue</td> <td>35,250</td> <td>0</td> <td>35,250</td>	Federal revenue	35,250	0	35,250
Expenditures         772,355         72,260         844,615           Expenditures         Current:           General government         95,931         0         95,931           Public safety         1,018         40,949         41,967           Public works         271,549         0         271,549           Highways and steets         165,309         0         165,309           Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfers out to other funds         0         7,100         7,100           Operating transfers out to other funds         (7,100)         7,100         0           Total other financing sources (uses)         (7,100)         7,100         0           Total other financing sources (uses)         (7,100)         7,100         0 <td>Interest and rentals</td> <td>24,901</td> <td>889</td> <td>25,790</td>	Interest and rentals	24,901	889	25,790
Expenditures         Current:           General government         95,931         0         95,931           Public safety         1,018         40,949         41,967           Public works         271,549         0         271,549           Highways and steets         165,309         0         165,309           Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in from other funds         0         7,100         7,100           Operating transfers out to other funds         (7,100)         7,100         0           Total other financing sources (uses)         (7,100)         7,100         0           Total other financing sources (uses)         (7,100)         7,100         0	Miscellaneous	7,502	223	7,725
Current:       General government       95,931       0       95,931         Public safety       1,018       40,949       41,967         Public works       271,549       0       271,549         Highways and steets       165,309       0       165,309         Planning, zoning and inspector       6,074       0       6,074         Capital projects       28,150       0       28,150         Debt service       56,617       21,991       78,608         Total expenditures       624,648       62,940       687,588         Excess of revenues over expenditures       147,707       9,320       157,027         Other Financing Sources (Uses)       0       7,100       7,100         Operating transfer in from other funds       0       7,100       7,100         Operating transfers out to other funds       (7,100)       7,100       0         Total other financing sources (uses)       (7,100)       7,100       0         Total other beginning of year       937,580       81,874       1,019,454	Total revenues	772,355	72,260	844,615
General government         95,931         0         95,931           Public safety         1,018         40,949         41,967           Public works         271,549         0         271,549           Highways and steets         165,309         0         165,309           Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in from other funds         0         7,100         7,100           Operating transfers out to other funds         (7,100)         7,100         0           Total other financing sources (uses)         (7,100)         7,100         0           Fund balance - beginning of year         937,580         81,874         1,019,454	<u>Expenditures</u>			
Public safety         1,018         40,949         41,967           Public works         271,549         0         271,549           Highways and steets         165,309         0         165,309           Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in from other funds         0         7,100         7,100           Operating transfers out to other funds         (7,100)         7,100         0           Total other financing sources (uses)         (7,100)         7,100         0           Fund balance - beginning of year         937,580         81,874         1,019,454	Current:			
Public works         271,549         0         271,549           Highways and steets         165,309         0         165,309           Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in from other funds         0         7,100         7,100           Operating transfers out to other funds         (7,100)         7,100         0           Total other financing sources (uses)         (7,100)         7,100         0           Fund balance - beginning of year         937,580         81,874         1,019,454	General government	95,931	0	95,931
Highways and steets       165,309       0       165,309         Planning, zoning and inspector       6,074       0       6,074         Capital projects       28,150       0       28,150         Debt service       56,617       21,991       78,608         Total expenditures       624,648       62,940       687,588         Excess of revenues over expenditures       147,707       9,320       157,027         Other Financing Sources (Uses)       0       7,100       7,100         Operating transfer in from other funds       0       7,100       7,100         Operating transfers out to other funds       (7,100)       7,100       0         Total other financing sources (uses)       (7,100)       7,100       0         Fund balance - beginning of year       937,580       81,874       1,019,454	Public safety	1,018	40,949	41,967
Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in from other funds         0         7,100         7,100           Operating transfers out to other funds         (7,100)         0         (7,100)           Total other financing sources (uses)         (7,100)         7,100         0           Fund balance - beginning of year         937,580         81,874         1,019,454	Public works	271,549	0	271,549
Planning, zoning and inspector         6,074         0         6,074           Capital projects         28,150         0         28,150           Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in from other funds         0         7,100         7,100           Operating transfers out to other funds         (7,100)         0         (7,100)           Total other financing sources (uses)         (7,100)         7,100         0           Fund balance - beginning of year         937,580         81,874         1,019,454	Highways and steets	165,309	0	165,309
Capital projects       28,150       0       28,150         Debt service       56,617       21,991       78,608         Total expenditures       624,648       62,940       687,588         Excess of revenues over expenditures       147,707       9,320       157,027         Other Financing Sources (Uses)       0       7,100       7,100         Operating transfer in from other funds       (7,100)       0       (7,100)         Total other financing sources (uses)       (7,100)       7,100       0         Total other financing sources (uses)       (7,100)       7,100       0         Fund balance - beginning of year       937,580       81,874       1,019,454	Planning, zoning and inspector	6,074	0	6,074
Debt service         56,617         21,991         78,608           Total expenditures         624,648         62,940         687,588           Excess of revenues over expenditures         147,707         9,320         157,027           Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in from other funds         0         7,100         7,100           Operating transfers out to other funds         (7,100)         0         (7,100)           Total other financing sources (uses)         (7,100)         7,100         0           Fund balance - beginning of year         937,580         81,874         1,019,454	<u> </u>	28,150	0	28,150
Excess of revenues over expenditures       147,707       9,320       157,027         Other Financing Sources (Uses)       0       7,100       7,100         Operating transfer in from other funds       0       7,100       7,100         Operating transfers out to other funds       (7,100)       0       (7,100)         Total other financing sources (uses)       (7,100)       7,100       0         140,607       16,420       157,027         Fund balance - beginning of year       937,580       81,874       1,019,454	• • •	56,617	21,991	78,608
Other Financing Sources (Uses)         0         7,100         7,100           Operating transfer in from other funds         0         7,100         7,100           Operating transfers out to other funds         (7,100)         0         (7,100)           Total other financing sources (uses)         (7,100)         7,100         0           140,607         16,420         157,027           Fund balance - beginning of year         937,580         81,874         1,019,454	Total expenditures	624,648	62,940	687,588
Operating transfer in from other funds         0         7,100         7,100           Operating transfers out to other funds         (7,100)         0         (7,100)           Total other financing sources (uses)         (7,100)         7,100         0           140,607         16,420         157,027           Fund balance - beginning of year         937,580         81,874         1,019,454	Excess of revenues over expenditures	147,707	9,320	157,027
Operating transfers out to other funds         (7,100)         0         (7,100)           Total other financing sources (uses)         (7,100)         7,100         0           140,607         16,420         157,027           Fund balance - beginning of year         937,580         81,874         1,019,454	Other Financing Sources (Uses)			
Total other financing sources (uses)         (7,100)         7,100         0           140,607         16,420         157,027           Fund balance - beginning of year         937,580         81,874         1,019,454	Operating transfer in from other funds	0	7,100	7,100
140,607         16,420         157,027           Fund balance - beginning of year         937,580         81,874         1,019,454	Operating transfers out to other funds	(7,100)	0	(7,100)
Fund balance - beginning of year 937,580 81,874 1,019,454	Total other financing sources (uses)	(7,100)	7,100	0
		140,607	16,420	157,027
Fund balance - end of year \$1,078,187 \$ 98,294 \$1,176,481	Fund balance - beginning of year	937,580	81,874	1,019,454
	Fund balance - end of year	\$ 1,078,187	\$ 98,294	\$ 1,176,481

See accompanying notes to financial statements

# Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds	\$ 157,027
Amounts reported for governmental activities in the statement	
of activities are different because:	
Governmental funds report capital outlays as expenditures;	
in the statement of activities, these costs are allocated	
over their estimated useful lives as depreciation	
Depreciation expense	(38,428)
Capital outlay	4,500
Interest expense is recorded in the statement of activities when incurred;	
it is not reported in governmental funds until paid	(314)
Governmental funds do not report donated capital assets as revenue;	
in the statement of activities the donated capital assets are recorded as	
income	6,500
In the statement of activities, only the loss on the disposal of assets is reported,	
whereas in the governmental funds there is no activity reported	
on the disposal of fixed assets.	(12,201)
Repayment of loan principal is an expenditure in the governmental	
funds, but not in the statement of activities (where it reduces long-term debt)	67,440
Change in net assets of governmental activities	\$ 184,524

# SECORD TOWNSHIP Statement of Fiduciary Net Assets June 30, 2006

	Current Ta	1X
Assets Cash	\$	0
Liabilities  Due to other governmental units  Due to other funds	\$ 	0
Total liabilities	\$	0

## Notes to Financial Statements For the Year Ended June 30, 2006

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Secord Township (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Secord Township:

#### Reporting Entity

Secord Township is governed by an elected five member council (Board). The accompanying financial statements present the government.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## Notes to Financial Statements For the Year Ended June 30, 2006

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund type:

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Fire services are accounted for in the Special Revenue Fund.

#### Assets, Liabilities, and Net Assets or Equity

<u>Deposits and Investments</u> – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

<u>Receivables and Payables</u> – In general, outstanding balances between funds are reported as "due to/from other funds."

## Notes to Financial Statements For the Year Ended June 30, 2006

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

<u>Capital Assets</u> – Capital assets, which include land, buildings and machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, vehicles, and equipment are being depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	10 to 20 years
Vehicles	10 to 15 years
Office equipment	5 to 15 years
Computer equipment	3 to 5 years

<u>Long-term Obligations</u> – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## Notes to Financial Statements For the Year Ended June 30, 2006

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Use of Estimates</u> – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

#### NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Secord Township follows these procedures in establishing the budgetary data reflected in the financial statements.

- 1. The Township's supervisor submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
- 4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

During the year ended June 30, 2006, the Township incurred variances in certain budgetary funds which were in excess of the amounts appropriated as follows:

		Total Actual		Budget			
Fund/Function	Appropriation		Appropriation Amount		Amount	nt Varianc	
Capital projects	\$	25,000	\$	28,150	\$	3,150	
Operating transfers out		0		7,100		7,100	

# SECORD TOWNSHIP Notes to Financial Statements For the Year Ended June 30, 2006

#### NOTE 2 - BUDGETS (CONTINUED)

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund is presented as Required Supplemental Information.

#### **NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	Governmental	Fiduciary	
	Activities	Fund	Total
•			
Cash and cash equivalents	\$ 1,194,781	\$ 0	\$ 1,194,781

#### Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2006, \$1,095,841 of the Township's bank balance of \$1,195,841 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

As of June 30, 2006, the Township had no investments.

## Notes to Financial Statements For the Year Ended June 30, 2006

## NOTE 4 – CAPITAL ASSETS

Capital asset activity of the Township for the year was as follows:

	Balance July 1, 2005	Additions		sposals and astments	Balance June 30, 2006
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 10,850	\$ 0	_\$_	0	\$ 10,850
Capital assets being depreciated:					
Buildings	393,542	0		0	393,542
Building improvements	33,696	0		14,790	18,906
Machinery and equipment	328,595	11,000		1,000	338,595
Subtotal	755,833	11,000		15,790	751,043
Less accumulated depreciation for:					
Buildings	7,125	9,910		0	17,035
Building improvements	6,897	1,163		2,989	5,071
Machinery and equipment	148,966	27,355		600	175,721
Subtotal	162,988	38,428		3,589	197,827
Net capital assets being depreciated	592,845	(27,428)		12,201	553,216
Governmental activities, total capital Assets - net of depreciation	\$ 603,695	\$ (27,428)	\$	12,201	\$ 564,066
•					
Depreciation expense was charged	to programs	of the Towns	ship a	is follows	S:
Governmental Activities:					
General government			\$	11,78	7
Public safety				26,64	<u>1</u>
Total Governmental Activities			\$	38,42	8_

## Notes to Financial Statements For the Year Ended June 30, 2006

#### NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES, AND TRANSFERS

A summary of inter-fund transfers made during the year ended June 30, 2006 is as follows:

<u>Fund</u>	Tra	nsfers In	<u>Tran</u> :	sfers Out
General Special Revenue:	\$	0	\$	7,100
Fire Fund		7,100		0
	\$	7,100	\$	7,100

Transfers are used to (1) supplement the cost of moving the old hall to the fire department site. There are no interfund receivables/payables at year end.

#### NOTE 6 – LONG-TERM DEBT

Long-term obligation activity can be summarized as follows:

	Balance July 1,			Reti	irements and	Balance June 30	),		mount e Within
	2005	Addi	tions	<u>Adj</u>	ustments	2006		Or	ne Year
Capital leases	\$ 36,416	\$	0	\$	11,494	\$ 24,92	22	\$	12,127
Installment notes	19,675		0		7,946	11,72	29		8,220
Mortgages	250,000		0		48,000	202,00	00		5,000
Total	\$306,091	\$	0	\$	67,440	\$ 238,65	5 <u>I</u>	\$	25,347

Secord Township entered into a mortgage on October 27, 2004 in the amount of \$260,000 at an interest rate of 4.375% for thirty years. The mortgage was used to construct the Township hall and to improve the fire hall.

Secord Township entered into an installment purchase agreement on November 20, 2002 in the amount of \$39,000 at an interest rate of 3.39% for five years. The installment purchase agreement was used to purchase 1996 custom fire rescue module.

## Notes to Financial Statements For the Year Ended June 30, 2006

### NOTE 6 - LONG-TERM DEBT (CONTINUED)

Secord Township entered into a capital lease agreement on December 27, 1996 in the amount of \$111,258 at an interest rate of 5.9% for ten years. The capital lease was used to purchase the Ford F800 water pumper truck.

Depreciation of the vehicles and equipment being purchased by capital lease are included in depreciation expense. The following is a schedule by years of future minimum lease payments under capital leases as of June 30, 2006:

2007	\$	13,500
2008		13,500
		27,000
Amount representing interest		(2,078)
	_\$_	24,922

Annual debt service requirements to maturity for the above obligation are as follows:

Year End June 30	F	Principal		Principal		Interest		Total
2007	\$	25,347	\$	10,372	\$	35,719		
2008		21,304		9,243		30,547		
2009		5,000		8,291		13,291		
2010		5,000		8,072		13,072		
2011		5,000		7,853		12,853		
2012-2016		32,000		35,350		67,350		
2017-2021		38,000		27,693		65,693		
2022-2026		48,000		18,287		66,287		
2027-2031		59,000		6,388		65,388		
Total	\$	238,651	\$	131,549	\$	370,200		

# SECORD TOWNSHIP Notes to Financial Statements For the Year Ended June 30, 2006

#### **NOTE 7 – RISK MANAGEMENT**

Secord Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). Secord Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risksharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with Secord Township.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.



# Required Supplemental Information Budgetary Comparison Schedule - General Fund For the Year Ended June 30, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
_				
Revenues	Ф. 200.002	Ф 200.002	e 204.470	\$ 13,478
Property taxes	\$ 290,992	\$ 290,992	\$ 304,470	•
Special assessments	305,269	305,179	302,950	(2,229)
Licenses, fees, and permits	3,990	3,990	14,330	10,340
State shared revenues	81,697	81,697	82,952	1,255
Federal revenue	0	0	35,250	35,250
Interest and rentals	16,246	16,246	24,901	8,655
Miscellaneous	5,104	5,104	7,502	2,398
Total revenues	703,298	703,208	772,355	69,147
<u>Expenditures</u>				
Current:				
General government	137,693	137,693	95,931	41,762
Public safety	1,018	1,018	1,018	0
Public works	304,450	304,450	271,549	32,901
Highways and steets	182,518	182,518	165,309	17,209
Planning, zoning and inspector	14,800	14,800	6,074	8,726
Capital projects	25,000	25,000	28,150	(3,150)
Debt service	60,000	60,000	56,617	3,383_
Total expenses	725,479	725,479	624,648	100,831
Excess (deficiency) of revenues				
over expenditures	(22,181)	(22,271)	147,707	169,978
Other Financing Sources (uses)				
Operating transfers out to other funds	0	0	(7,100)	(7,100)
Net change in fund balance	(22,181)	(22,271)	140,607	162,878
Fund balance - beginning of year	937,580	937,580	937,580	0
Fund balance - end of year	\$ 915,399	\$ 915,309	\$1,078,187	\$ 162,878



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## WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

July 14, 2006

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board Secord Township Gladwin, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Secord Township as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 14, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Secord Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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**RSM**: McGladrey Network

An Independently Owned Member



## WEINLANDER FITZHUGH

Township Board Secord Township July 14, 2006

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Secord Township's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Township Board, management and related regulatory agencies and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Weinlander Fitzhugh



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## WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

July 14, 2006

Township Board Township of Secord Gladwin County, Michigan

This letter is intended to inform the Township Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Township Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

## The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Secord Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Secord Townships' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

#### **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

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## WEINLANDER FITZHUGH

Township Board Township of Secord July 14, 2006 Page 2

#### Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments were not significant.

#### Accounting Policies and Alternative Treatments

Management and the Township Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Township. The significant accounting policies adopted by the Township are described in Footnote 1 to the financial statements.

#### Disagreements with Management

We encountered no disagreements with management over the application of significant principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

#### **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

#### Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

#### **Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.



## WEINLANDER FITZHUGH

Township Board Township of Secord July 14, 2006 Page 3

#### Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Secord Township.

This report is intended solely for the information and use of the Township Board and management and is not intended to be, and should not be, used by anyone other than the specified parties.

Weinlander Fitzhugh